

March 15, 1996

## **MEMORANDUM FOR THE DEFENSE ACQUISITION COMMUNITY**

### **SUBJECT: UPDATE OF THE DOD 5000 DOCUMENTS**

#### **Introduction**

For nearly 25 years, Department of Defense (DoD) Directive 5000.1 and Instruction 5000.2 have been centerpieces of defense acquisition policies and procedures. These documents, along with the 5000.2-M documentation manual that was introduced in 1991, describe a disciplined management approach for acquiring systems and materiel to satisfy valid military needs. Since 1971, when the first DoD Directive 5000.1 was issued, the documents have been revised to reflect new priorities and the nation's evolving acquisition policies. The last major revision was published over four years ago. The Department's automated information system life-cycle management policy and procedures, originally established by DoD Directive 7920.1 and DoD Instruction 7920.2 in 1978 and updated to DoD Directive 8120.1 and DoD Instruction 8120.2 in 1993, were modeled after the 5000 documents. Now, as part of our acquisition reform effort, we are issuing an updated Directive and Regulation (to replace the DoD Instruction 5000.2) that integrates the 5000 and 8120 policy. The intent of this revision is to define an acquisition environment that makes DoD the smartest, most responsive buyer of the best goods and services, that meet our warfighters' needs, at the best dollar value over the life of the product.

#### **Major Objectives of this Update**

This update accomplishes four important objectives. Specifically, it does the following:

1. Incorporates new laws and policies that have been enacted since the last update. These include the Federal Acquisition Streamlining Act (FASA) of 1994 and the institutionalization of Integrated Product Teams (IPTs).
2. Separates *mandatory* policies and procedures from *discretionary* practices. DoD Directive (DoDD) 5000.1 establishes guiding principles for all defense acquisition, from advanced fighter aircraft to the simplest combat helmet. DoD Regulation 5000.2-R specifies mandatory policies and procedures for Major Defense acquisition programs (MDAPs) and Major Automated Information System (MAIS) acquisition programs. The Defense Acquisition Deskbook describes the discretionary information to which Program Managers (PMs) and other participants in the defense acquisition process can turn for assistance in implementing guiding principles and mandatory procedures. By minimizing the volume of mandatory guidance, we can free managers to exercise sound judgment when structuring and executing defense acquisition programs.

3. Responds to the perception that the acquisition policy documents have grown unwieldy and too complex. This update replies in two ways. First and most importantly, this edition of the DoDD 5000.1 and DoD 5000.2-R are, for the first time, available “on-line” to the acquisition community through the Defense Acquisition Deskbook. Second, in response to the President’s Executive Order 12861 to reduce the volume of internal regulatory guidance, we have significantly reduced the length and complexity of DoDD 5000.1 and DoD 5000.2-R. We are replacing DoD Instruction 5000.2 with DoD 5000.2-R. This change to a Regulation provides much more flexibility with regard to the document structure and enhances compatibility with electronic media. In addition, we have canceled DoD 5000.2-M.
4. Integrates, for the first time, acquisition policies and procedures for both weapon systems and automated information systems (AISs). Historically, the Department has maintained separate policies for weapon programs (5000 Series) and AIS (8000 Series). This edition of DoDD 5000.1 and DoD 5000.2-R cancels DoDD 8120.1, DoDI 8120.2, and DoD 7920.2-M and incorporates AIS mandatory policies and procedures in the 5000 series documents.

### **Major Themes of this Update**

Several important themes run throughout these documents:

1. **Teamwork**. We believe that the guiding principles in DoDD 5000.1 along with the procedures described in DoD 5000.2-R, help to create an acquisition system that capitalizes on the strengths of *all* participants in the acquisition process. We must work together as a team to build successful programs, identify problems early, and maintain a cooperative spirit of resolution, thereby providing programs the highest opportunity for success. Furthermore, we have reorganized DoD 5000.2-R to reflect the importance of working as *cross-functional* teams. The various parts of this Regulation emphasize the major elements of the acquisition process: defining mission needs, structuring an acquisition strategy, developing producible and affordable designs, making decisions, and assessing program status. Teamwork will maximize overall performance, not just the performance of individual functional areas.
2. **Tailoring**. While all programs must accomplish certain core activities, the appropriate Milestone Decision Authority (MDA) will tailor how and when these activities occur. Common sense and sound business management practice will minimize the time it takes to satisfy an identified need. MDAs should strive to tailor most aspects of the acquisition process, including program documentation, acquisition phases, and the timing, scope, and level of decision reviews. MDAs should promote flexible, tailored approaches to oversight and review based on mutual trust and the program’s size, risk, and complexity. Tailoring is built into DoDD 5000.1 and DoD 5000.2-R because one size does not fit all. From a management standpoint, there is no reason to expect to treat every program identically. However, there are usually many *good* reasons to tailor program management to specific program circumstances.
3. **Empowerment**. Program managers do not have to ask permission to take actions that are otherwise permitted by law and are within the scope of their charters. The Department has long relied on volumes of guidance and regulation, prescribing every

detail of both process and documentation. DoD has also had a habit of dealing with industry through a rigid system of military specifications. DoDD 5000.1 and DoD 5000.2-R reflect current efforts to empower our people and our vendors to do the best they can. These documents do not reduce responsibility, but balance responsibility with authority. They dramatically reduce the burden of mandatory procedures and specifications, and encourage prudent risk management. Finally these documents emphasize a customer focus: to provide the best, most cost-effective system or capability, in the most timely fashion.

4. **Cost as an Independent Variable (CAIV).** The acquisition process described in DoDD 5000.1 and DoD 5000.2-R must consider both performance requirements and fiscal constraints. Accordingly, cost must also be an independent variable in programmatic decisions, with responsible cost objectives set for each program phase.
5. **Commercial Products.** Historically, DoD has relied on segments of the U.S. technology and industrial base principally dedicated to supporting DoD requirements. Integrating a constricting industrial base and a fast-paced technology sector mandates that DoD fully implement the statutory preference for the acquisition of commercial items by federal agencies. Acquisition of commercial items, components, processes, and practices provides rapid and affordable application of these technologies to validated, DoD mission needs.
6. **Best Practices.** DoD 5000.2-R describes a simplified and flexible management process, modeled on sound business practices. Acquisitions of the future must take into account customary commercial practices in developing acquisition strategies and contracting arrangements.

### **Core Acquisition Management Issues**

There are certain core management issues that must be formally addressed at the appropriate milestone for every acquisition program. MDAs shall rigorously address these core issues before making program decisions:

- Why is the program needed?
- Has the need been validated?
- What specific capabilities are necessary?
- When do the specific capabilities need to be introduced to the field or fleet?
- How much will the program cost?
- Is the program affordable and fully funded?
- Have alternative solutions been reviewed and why was this solution selected?
- What is the acquisition strategy to develop and/or produce the needed capability?
- Has the program's risk been assessed?
- Has a program baseline been developed?
- Is the system or item producible?
- Can it be supported?
- Has the stability of the design and the operational capability of the system been verified?
- Has the system been determined to be operationally effective and suitable?

## **Purpose of the Documents**

DoDD 5000.1 establishes a disciplined management approach for defense acquisition to assist the Under Secretary of Defense for Acquisition and Technology, and the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence, and the Director, Operational Test and Evaluation in meeting their fundamental commitments as the Department's decision authorities for acquisition programs, AISs, and operational testing. DoDD 5000.1 articulates general principles to guide all defense acquisition programs. These principles are organized into three broad categories:

1. Translating Operational Needs into Stable, Affordable Programs
2. Acquiring Quality Products
3. Organizing for Efficiency and Effectiveness

DoD 5000.2-R establishes mandatory procedures for MDAPs and MAIS acquisition programs (and selected other programs as specified in the Regulation). The Regulation is organized into six Parts which, rather than being divided along traditional functional lines, focus instead on major management and programmatic elements of the acquisition process, such as program definition, program structure, and program design. The Parts of the Regulation are listed below:

1. Acquisition Management Process
2. Program Definition
3. Program Structure
4. Program Design
5. Program Assessments and Decision Reviews
6. Periodic Reporting

The USD(A&T) is responsible, through the Secretary and the Deputy Secretary of Defense, to the President and the Congress for meeting the Department's commitment to the projected cost, schedule, and performance of materiel acquisition programs. The ASD(C3I) is responsible for meeting DoD's commitments to AIS acquisition programs. The DOT&E is responsible for determining that systems are operationally effective, suitable, and survivable prior to fielding. DoDD 5000.1 and DoD 5000.2-R establish a disciplined yet flexible management approach to assist these officials in fulfilling their responsibilities.

## **Highlights of Mandatory Guidance**

This section provides a brief overview of the mandatory guidance contained in DoDD 5000.1 and DoD 5000.2-R.

**DoD Directive 5000.1.** DoDD 5000.1 emphasizes the interrelationship of the Department's three principal decision support systems: 1) the Requirements Generation System, 2) the Acquisition Management System, and 3) the Planning, Programming, and Budgeting System. The requirements generation system produces information for decision-makers on projected mission needs. The acquisition management system provides for a

streamlined management structure and event-driven management process that explicitly links milestone decisions to demonstrated accomplishments. The planning, programming, and budgeting system provides the basis for making informed affordability assessments and resource allocation decisions on defense acquisition programs.

Further, the Directive defines important acquisition terms and concepts; emphasizes and encourages tailoring; identifies key officials and forums; and establishes guiding principles in the following areas:

### ***Translating Operational Needs into Stable, Affordable Programs***

- Integrated Management Framework
- Integrated Product and Process Development
- Program Stability
- Risk Assessment and Management
- Total Systems Approach
- Cost as an Independent Variable
- Program Objectives and Thresholds
- Non-Traditional Acquisition
- Performance Specification

### ***Acquiring Quality Products***

- Event Oriented Management
- Hierarchy of Materiel Alternatives
- Communications with Users
- Competition
- Test and Evaluation
- Modeling and Simulation
- Independent Assessments
- Innovative Practices
- Continuous Improvement
- Legality of Weapons Under International Law
- Software Intensive Systems
- Environmental Management

### ***Organizing for Efficiency and Effectiveness***

- Streamlined Organizations
- Acquisition Corps
- Teamwork
- Limited Reporting Requirements
- Tailoring
- Automated Acquisition Information
- Management Control

**DoD Regulation 5000.2-R.** Provided below are descriptions of the major purpose of each Part and a brief summary of the mandatory guidance issued in each Part.

**Part 1, Acquisition Management Process.** The purpose of Part 1 is to provide a brief overview of the acquisition management process. Part 1 establishes a general model for managing MDAPs and MAISs which explicitly recognizes that every program is different. Part 1 does not attempt to specify a “one-size-fits-all” management process for every MDAP and MAIS acquisition program. The fundamental mandatory guidance issued in Part 1 is that MDAs must structure every MDAP and MAIS to ensure a logical progression through a series of phases designed to reduce risk, ensure affordability, and provide adequate information for decision-making. Not every MDAP or MAIS will follow the same progression. Some programs, for example, may require a Milestone I decision point while others may not. In all cases, MDAs shall tailor the management structure to fit specific program circumstances. The objective is to establish a streamlined process for each program that will provide the needed capability to the warfighter in the shortest possible time.

**Part 2, Program Definition.** The purpose of Part 2 is to describe mandatory procedures for translating broadly stated mission needs into a set of more sharply defined performance specifications. Use of these procedures is intended to ensure that MDAPs and MAISs are well-defined, carefully structured to reflect a judicious balance of cost, schedule, and performance, and compatible with mission needs, available technology, and affordability constraints. Part 2 issues the following fundamental mandatory guidance:

- Acquisition programs may be initiated in response to a military threat; for economic reasons; to exploit technological opportunities; or for other reasons.
- Programs initiated in response to a military threat shall be based on authoritative threat information (Normally not applicable to MAIS acquisition programs);
- Operational performance objectives and minimum acceptable requirements shall be documented;
- Components shall perform rigorous analyses of alternatives and affordability to aid decision-makers; and,
- Programs shall be fully funded.

**Part 3, Program Structure.** The purpose of Part 3 is to describe the elements that are necessary to structure a successful MDAP or MAIS Acquisition Program. These elements are contained in strategies that are proposed by the PM and approved by the MDA. The program strategy forms the basis for sound management and provides an historical record of the program's maturation and decision process. Part 3 issues the following fundamental mandatory guidance:

- Programs shall establish and identify the most important cost, schedule, and performance parameters;
- PMs shall document these parameters in an acquisition program baseline;
- PMs shall develop an acquisition strategy, which shall address such elements as potential sources, risk management, CAIV, contract approach, and management approach.
- PMs shall develop a test and evaluation strategy that describes the salient elements of the test program and complies with all statutory requirements regarding testing.
- PMs shall develop a life-cycle cost estimate for the program.

**Part 4, Program Design.** The purpose of Part 4 is to establish the basis for a comprehensive and disciplined approach to the design of MDAPs and MAIS Acquisition Programs. Part 4 mandates that PMs use the concepts of Integrated Process and Product

Development and systems engineering throughout the program design process to translate operational requirements into a system solution.

**Part 5, Program Assessments and Decision Reviews.** Part 5 establishes mandatory procedures for conducting assessments and milestone decision reviews of MDAPs and MAIS acquisition programs. Part 5 describes the Defense Acquisition Board (DAB), the senior-level decision making council for MDAPs, and the Major Automated Information Systems Review (MAISRC), the similar forum for MAIS acquisition programs. Part 5 also discusses DAB readiness meetings, the Joint Requirements Oversight Council, and the Cost Analysis Improvement Group. Finally, Part 5 states the Department's policy to "tailor in" program information that supports acquisition decision-making on a case-by-case, as program's circumstances dictate. The fundamental mandatory guidance issued in Part 5 is that MDAs reserve the authority to make major decisions on programs under their jurisdiction, although they may choose to delegate this authority to lower organizational levels.

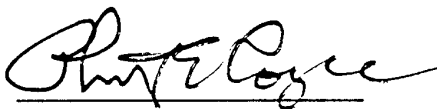
**Part 6, Periodic Reporting.** Part 6 describes mandatory reports that must be prepared periodically to provide acquisition executives and Congress with adequate information to oversee the acquisition process and make necessary decisions. Mandatory reporting includes the Defense Acquisition Executive Summary, the Selected Acquisition Reports, unit cost reporting, test results reporting, and contract performance reporting.

**Appendices.** DoD 5000.2-R includes seven appendices that specify mandatory formats in the following areas: Consolidated Acquisition Reporting System, Operational Requirements Document, Test and Evaluation Master Plan, Live-Fire Test and Evaluation Plan, Major Automated Information System Quarterly Report, and Cost/Schedule Control Systems Criteria. The seventh appendix is the Glossary, which will be published as Change 1 to the Regulation.

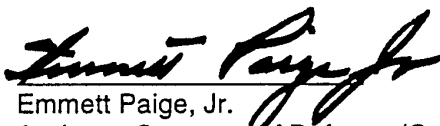
**The Department recognizes its responsibility to the public trust. These documents challenge each of us in the Defense Acquisition Community to continuously earn and maintain that trust.**



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